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Director and Chief Medical Officer

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COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
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December 27, 2004

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**PUBLIC HEARING ON INPATIENT BILLING RATE CHANGES FOR THE
DEPARTMENT OF HEALTH SERVICES (All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD, AFTER A PUBLIC HEARING:

Approve the proposed inpatient billing rate increases for the Department
of Health Services, effective January 25, 2005, as shown on Attachment I.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving this action, the Board is authorizing the County of Los Angeles - Department of Health Services (Department) to increase the inpatient billing rates charged to patients at three County hospitals, except for Psychiatric and Weekend Therapeutic services included in the inpatient rates.

Subsequent to the Board's October 26, 2004 approval of the Department's request to revise rates for services rendered at County operated hospitals, the Department was awarded a new round of Medi-Cal Senate Bill (SB) 1255 funding by the California Medical Assistance Commission (CMAC). To ensure that each hospital's inpatient

Medi-Cal gross charges exceed the hospital's non-Disproportionate Share Hospital (DSH) inpatient Medi-Cal revenues, the inpatient billing rates at three County hospitals must be increased.

FISCAL IMPACT/FINANCING:

To achieve the Department's SB 1255 revenue target for Fiscal Year 2004-05, an increase in the inpatient billing rates is necessary. There are no County costs associated with these proposed billing rate changes.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Under federal law and by contract, the Department may be paid only the lesser of its Medi-Cal inpatient charges or the corresponding Medi-Cal gross reimbursement provided for in the Medi-Cal Inpatient Services Agreement, exclusive of DSH payments. Because their cost structures allow them to receive proportionately higher levels of SB 1255 funding, the recommended inpatient billing rates for Martin Luther King, Jr./Drew Medical Center, Olive View/UCLA Medical Center, and Rancho Los Amigos National Rehabilitation Center are proposed to be increased by 20%, 15%, and 10%, respectively, above their existing inpatient rates. Increasing the rates will ensure that the Department receives all of the Medi-Cal SB 1255 revenues permitted under the Medi-Cal Inpatient Services Agreement, as amended.

Following the proposed increases, the new average daily charge for each of the three County hospitals will still be less than the estimated 2003-04 average daily charges of \$18,449, \$13,817, and \$11,212 at USC University Hospital, Stanford University Hospital, and Cedars-Sinai Medical Center, respectively. Moreover, the average daily charge for these hospitals is net of physician fees, while ours is not.

The attached recommended rates are assessed on a per diem basis and include all applicable room and board, physician, and ancillary charges. The variation in rates among the hospitals is the result of utilization, operating costs, and other variables.

Pursuant to Government Code Section 66018, a public hearing is required prior to the approval of a change to an existing fee. A notice of Public Hearing (Attachment II) is to be published by the Executive Office in accordance with Section 6062a, required by Section 66018 of the Government Code.

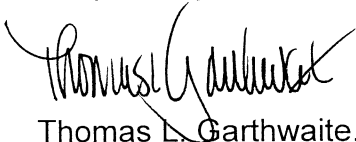
CONTRACTING PROCESS:

This is not applicable to this issue.

IMPACT ON CURRENT SERVICES:

Since most of the Department's patients are not responsible for paying their full charges due to contract or other program reimbursement limits, these billing rate adjustments should not directly impact the current level of these individuals' access to health services. In addition, uninsured patients at County hospitals with limited financial resources can utilize one of the County's No Cost/Low Cost plans, such as the Ability-to-Pay plan. These plans result in reduced patient liability, which is almost always substantially less than charges. As a result, the rate increases should not have a material impact on these individuals. On the other hand, if the proposed rate adjustments are not implemented, there will likely be a substantial loss of SB 1255 revenue, which could adversely affect service delivery.

Respectfully submitted,



Thomas L. Garthwaite, MD
Director and Chief Medical Officer

TLG:aw

Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

(W:\RICE\RATES\2004-05\Inpatient Rates\BDLTR0405-2FR.WD)

ATTACHMENT I

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

PROPOSED INCLUSIVE INPATIENT HOSPITAL AND RELATED STAFF SERVICES RATES

FISCAL YEAR 2004-05
(Effective January 25, 2005)

DESCRIPTION OF SERVICES	MLK Jr./Drew Medical Ctr.		RLANRC		Olive View /UCLA Medical Ctr.	
	Hospital & Related Staff Services	Hospital Services	Hospital & Related Staff Services	Hospital Services	Hospital & Related Staff Services	Hospital Services
Acute Medical	\$ 8,202	\$ 8,131	\$ 4,914	\$ 4,793	\$ 6,192	\$ 5,878
Burn ICU	-	-	-	-	-	-
Definitive Observation Unit	-	-	8,732	8,518	-	-
Intensive Care - Adults	17,612	17,493	11,798	11,432	14,115	13,623
Intensive Care - Pediatrics	17,612	17,493	11,798	11,432	14,115	13,623
Liver	-	-	4,685	4,586	-	-
NBC Mother	11,645	11,566	-	-	-	-
NBC Nursery	6,589	6,579	-	-	-	-
Neonatal Intensive Care - Level 1	-	-	-	-	-	-
Neonatal Intensive Care - Level 2	-	-	-	-	-	-
Neonatal Intensive Care Unit	17,612	17,493	-	-	14,115	13,623
Nursery Acute (no related delivery)	8,258	8,185	-	-	6,192	5,878
Nursery-Newborn (mother is ineligible)	2,886	2,882	-	-	2,900	2,812
OB Mother	8,183	8,120	-	-	6,097	5,849
OB Nursery	2,886	2,882	-	-	2,900	2,812
OB Special Care Nursery-Mother & Baby In-house	6,066	6,054	-	-	5,813	5,635
OB Special Care Nursery-Mother Discharged	6,066	6,054	-	-	5,813	5,635
Pediatric Intermediate Care	12,102	12,013	-	-	-	-
Pediatrics	8,258	8,185	-	-	-	-
Pediatrics Intensive Special Care	-	-	-	-	13,072	12,616
Special Intensive Care - Adults	22,640	22,488	-	-	-	-
Special Intensive Care - Pediatrics	22,640	22,488	-	-	-	-
Surgical	9,202	9,128	-	-	6,915	6,346
Surgical - Level 1	-	-	5,213	5,028	-	-
Surgical - Level 2	13,434	13,336	8,678	8,372	15,139	13,892
Surgical - Level 3	-	-	12,151	11,722	18,348	16,838
Surgical - Level 4	-	-	16,786	16,193	-	-
Surgical - Level 5	-	-	22,392	21,601	-	-
Surgical - Level 6	-	-	28,064	27,072	-	-
Surgical - Level 7	-	-	33,681	32,492	-	-
Surgical - Level 8	-	-	39,416	38,024	-	-
Surgical - Level 9	-	-	45,832	44,212	-	-
Surgical - Level 10	-	-	52,020	50,183	-	-
Surgical - Level 11	-	-	58,571	56,503	-	-
Surgical - Level 12	-	-	66,440	64,094	-	-
Surgical - Level 13	-	-	74,525	71,893	-	-
Surgical - Level 14	-	-	82,394	79,484	-	-
Surgical - Level 15	-	-	90,273	87,084	-	-
Surgical - Level 16	-	-	98,142	94,676	-	-
Surgical - Level 17	-	-	106,014	102,269	-	-
Surgical - Level 18	-	-	113,886	109,864	-	-
Surgical - Level 19	-	-	121,760	117,459	-	-
Surgical - Level 20	-	-	131,207	126,573	-	-

Note: The Hospital and Related Staff Services rates at Martin Luther King Jr./Drew Medical Center, Rancho Los Amigos National Rehabilitation Center, and Olive View/UCLA Medical Center are 20%, 10% and 15%, respectively, above the existing rates.

ATTACHMENT II

**NOTICE OF PUBLIC HEARING
PROPOSED RATE CHANGES**

NOTICE OF PUBLIC HEARING
PROPOSED RATE CHANGES

Notice is hereby given that the Board of Supervisors will hold a public hearing, regarding the proposed charge schedules, to be effective January 25, 2005, for the County of Los Angeles - Department of Health Services hospitals. Said hearing will be held on January 25, 2005 at 9:30 a.m., in the Hearing Room of the Board of Supervisors, Room 381B, Kenneth Hahn Hall of Administration, 500 West Temple Street (corner of Temple Street and Grand Avenue), Los Angeles, California 90012.

The Board of Supervisors will consider and may adopt the proposed charges. Further, notice is given that the Board of Supervisors may continue this hearing from time to time.

Written comments may be sent to the Executive Office of the Board of Supervisors at the above address. If you do not understand this notice or need more information, please call the County of Los Angeles, Department of Health Services, Fiscal Programs at (213) 240-8109.

Si no entiende esta noticia o si necesita mas información, favor de llamar (213) 240-8109.

Violet Varona-Lukens
Executive Officer, Board of Supervisors

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12/27/04